



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/25/2004

GAIN Report Number: MX4107

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #33

2004

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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LARGE DOLLAR INJECTIONS DRIVE UP PESO VALUE

Economists expect the peso-dollar exchange rate to settle at just under 11.35 pesos per dollar. Yesterday the exchange rate was 11.38, down from its high in early spring 2004 of around 11.60. Large quantities of dollars are entering the Mexican economy from oil sales, remittances from Mexicans working in the United States, and tourism. Remittances for the first six months of 2004 averaged US \$43.76 million per day. (El Financiero, 8/17/04)

MEXICO IS NOT TAKING ADVANTAGE OF THE EXPORT QUOTAS TO THE EUROPEAN UNION MARKET

Despite the fact that several Mexican products have a preferential export quota at a low or zero tariff to the European Union (e.g., 300 MT of specific pathogen-free (SPF) eggs, 600 MT of fresh asparagus, 500 MT of peas, 750 MT of flowers, 2,000 MT of bananas) this benefit has not been realized. According to an investigator from the Postgraduate School of Chapingo, Mexico is not using the opportunity given by the Free Trade Agreement with the European Union because Mexican exporters are only oriented towards the United States. The problem is not low production capacity, but rather a lack of knowledge about contracting for the packing and quality requirements of the European Union. (Source: Reforma; 8/19/04)

NEW PROGRAM IN MEXICO WILL CERTIFY FOOD SAFETY

The "Safe Quality Foods" (SQF) program certification that the Food Marketing Institute (FMI) promotes, will begin in Mexico. Timothy Hammonds, President of FMI, an organization representing 2,300 supermarket chains around the world, including Wal-Mart and Carrefour, explained that this program seeks to guarantee that food Mexico produces for export be prepared under strict assurance and hygiene regulations. The distributors who obtain this certification from FMI will be able to export to the United States without any problems, even when the United States closes its borders to foreign producers due to sanitary risks. Executives of the FMI and SQF will meet with the Mexico's Director of the National Service for Health, Food Safety and Agricultural Quality (SENASICA), Javier Trujillo, to compare SENASICA's official health regulations with the SQF program. (Source: Reforma, Financiero, Milenio 8/18/04)

INCREASED SECURITY AT BORDER CROSSING POINTS

The Department of Homeland Security (DHS) announced that all commercial trucks transporting goods to the United States must notify border crossing points, via e-mail, of their arrival at least 30 minutes in advance and include a description of the type of goods

being transported. DHS stated that this measure would be implemented in three stages: the first to be enforced on November 15, 2004, the second on December 15, 2004, and the final stage on January 14, 2005. The objective of this new regulation is to avoid the entrance of potentially hazardous shipments to the United States. DHS stated that its enforcement would help protect the 3,200 kilometers-long US-Mexican border from terrorist attacks and would also avoid problems in bilateral trade. However, Mexican trucking companies revealed their concern about how increases in operational costs eventually would be charged to the final customer, which was additional to their concern about the possibilities of lengthy customs procedures at specific crossing points. (Source: Reforma & El Universal; 08/19/2004)

GDP ON THE RISE IN 2004

According to the Finance Secretary (Hacienda), the economy grew in the second quarter at its fastest pace since 2000 due to resurgent demand from the United States for the country's electronics, oil and metals. Gross domestic product, the broadest measure of output of goods and services, grew 3.9 percent from the same period last year, after expanding 3.7 percent the previous quarter. Similarly, the agriculture sector grew 5.1 percent during the second quarter from the same period a year earlier, while in the first quarter of 2004 it grew 4.6 percent. The economy expanded 1.2 percent from the first quarter in seasonally adjusted terms, Hacienda said. Latin America's largest economy is rebounding from its three slowest years of growth since the peso devaluation in December 1994, benefiting from expansion in the United States, the buyer of 85 percent of Mexico's exports. (Source: Reforma; 08/18/2004)

CHINA SURPASSES MEXICO IN THE U.S. MARKET

China gained lower U.S. tariffs on exports with its entry into the WTO in 2001, helping it surpass Mexico last year as the second biggest exporter to the United States. Mexico has failed to counter Chinese competition as a divided Mexican Congress blocks President Vicente Fox's initiatives designed to lower energy and labor costs, said Suhas Ketkar, head Latin American economist in New York for the Royal Bank of Scotland. "I remember when the border was saturated, but that kind of thing moves around the world in search of the most attractive labor costs," said Jerry Brochin, a managing director at Brazos International, a consulting firm that helps foreign companies open factories in Mexico. (Source: El Universal; 08/19/2004)

MEXICO EXPECTS TO INCREASE EXPORTS TO CHINA

In the framework of the Second Binational Meeting between Mexico and China and during a videoconference in China, Javier Usabiaga, Secretary of Agriculture from Mexico, said that there are opportunities for Mexican producers to export fruits, vegetables, pork meat and canned products to that country. Usabiaga added that Mexican agricultural exports could reach up to US\$424 million in 2005, once the agreements reached between both countries are formalized. Usabiaga indicated that their visit to China is to promote fair trade that benefits both countries, to integrate markets and avoid triangulation of dumping prices. Jaime Yesaki, from the National Agricultural Council (CNA), affirmed that even though there is a large market niche in China, it is necessary to resolve Mexico's pending issues related to competitiveness. (Source: Reforma, 08/18/04)

YUCATAN CITRUS EXPORTS TO THE U.S. COULD INCREASE

The president of the of the processing plant in Akil, Merida, indicates they have a good opportunity to increase citrus exports from Yucatan to the United States due to the collapse of orange production in Florida as a result of Hurricane Charley. Harvest in the Yucatan will

soon begin with an expected volume of 169,685 MT of Valencia oranges, as well as other citrus products like limes and grapefruit. (Source: Financiero 08/20/24)

MEXICO ANNOUNCES NAFTA OVER-QUOTA FOR YELLOW CORN

The ministries of Economy and Agriculture published in Mexico's Federal Register an announcement to allocate NAFTA over-quota yellow corn imported from the U.S. and Canada. The announcement states that the over quota (still without a defined amount) will be allocated directly to companies within the starch, cereal and snack food as well as livestock industries which distribute or use corn products in their production processes. This over quota is additional to the 2004 NAFTA Tariff Rate Quota (3.36 MMT) and only applies to yellow corn. According to the announcement, this over quota was announced because currently the domestic corn supply is insufficient to match domestic demand. (Source: El Financiero; 08/20/2004)

REGULATORY OBSTACLES FOR MEXICAN AGRICULTURAL EXPORTERS

According to a local newspaper, in addition to the bioterrorism law that the United States began to enforce fully this month, Mexican exporters of food products should follow a series of regulations – still not obligatory – on food safety. The regulations stipulate that all perishable food products in the U.S. fulfill procedures for ensuring proper traceback to the farm and point of origin. An extensive analysis made by Belem Avendaño, professor at the Autonomous University of Baja California, and Rita S. Rindermann of the Autonomous University Chapingo, point out that these regulations could become a significant obstacle to international trade as well as a technical obstacle. (Source: El Financiero; 08/23/2004)

MEXICAN SUGAR INDUSTRY REQUESTS THE U.S. TO STOP THE WTO CASE

The Mexican sugar industry requested the U.S. Trade Representative to suspend the process it has before the WTO on the special 20-percent tax on beverages with fructose. This letter spurred reactions within the U.S. from Senator Charles Grassley and the Corn Refiners Association, both of whom urged Representative Zoellick to accelerate the case before the WTO. This special tax plummeted U.S. exports of high fructose corn syrup to Mexico. (Source: Financiero 8/23/02)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4103	Mexico Announces Tacambaro As A New Pest Free Municipality	8/16/04
MX4104	Mexico Announces Support Programs for Sinaloa White Corn	8/17/04
MX4105	Weekly Highlights & Hot Bites, Issue #32	8/11/04

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